

**RAILROAD COMMISSION OF TEXAS
FORMAL COMMISSION ACTION
DECEMBER 7, 2004**

Pursuant to lawful notice, the Commission held an open meeting at 1701 N. Congress Avenue, in Room 12-170, Austin, Texas, on the 7th day of December 2004, commencing at 9:30 a.m. Chairman Victor G. Carrillo and Commissioners Charles R. Matthews and Michael L. Williams were present. Chairman Carrillo presided.

- I. Before commencing with matters on the regularly posted agenda, the Commission presented service awards to Railroad Commission employees in recognition of their outstanding service in 2004.
- II. The Commission began consideration of matters falling within the Railroad Commission's Gas Services regulatory jurisdiction.
 - A. The Commission considered Gas Utilities Docket No. 9364, the Joint Petition of Centerpoint Energy Entex and the City of Tyler for review of charges for gas sales, Examiner Gene Montes recommended the Commission deny the appeal of Examiners' Letter No. 29. On motion by Chairman Carrillo, he and Commissioner Matthews voted to deny the appeal as recommended. Commissioner Williams voted no.
 - B. In consideration of Gas Utilities Docket No. 9532, the application of Sid Richardson Gas Pipeline, Ltd. to establish an initial city gate rate for the City of Grandfalls, Texas, the Commission approved and signed an order establishing an initial city gate rate for the City of Grandfalls, Texas as recommended by Examiner John Chakales.
- III. The Commission began consideration of matters falling within the Railroad Commission's Oil and Gas regulatory jurisdiction.
 - A. The Commission took the following action on applications appearing on the protested docket of the Oil and Gas Division:
 1. In consideration of Docket No. 8A-0239554, the Commission approved the application of Merit Energy Company for unitization and secondary recovery authority in the Prentice, NW (San Andres) Field, Terry County, Texas. Approval was recommended by Examiner Donna Chandler.

2. In consideration of Docket No. 05-0240714, the Commission approved the application of XTO Energy, Inc., to construct and operate a hydrogen sulfide gas pipeline for the Teague Sour Gas Gathering System in Freestone County, Texas. Approval was recommended by Examiner Donna Chandler.
3. In consideration of Docket No. 08-0240309, the Commission approved the application of Sid Richardson Energy Services Co. to construct and operate a hydrogen sulfide gas pipeline facility to be known as the Tunstill 12" Loop, in Loving County, Texas. This matter was presented by Examiner Margaret Allen.
4. In consideration of Docket No. 0236368, the Commission denied the application of Hanson Production Company for an exception to Statewide Rule 37 to drill its No. 2-ST Well, T.P. Ranch Lease, Sour Lake, E. (Price) Sour Lake, E. (Yegua #4) Sour Lake, E. (Yegua DF-9) and Wildcat Fields, Hardin County, Texas. Denial was recommended by Examiner Mark Helmueller.
5. In consideration of Docket Nos. 03-0236417 and 03-0238718, the Commission approved an order adopting field rules and regulations adopting productive acreage as the allocation formula for the Sour Lake, E. (Price) Field in Hardin County, Texas. The Commission ordered that the Hanson Production Company T.P. Ranch Lease, Well No. 1-L and Well No. 1-U be treated as one completion for allowable purposes and be assigned to the Sour Lake, E. (Price) Field, Hardin County, Texas. Further, the Commission denied the application of Crown Petroleum Corporation to balance the Sour Lake, E. (Price) Field. This action was recommended by Examiner Mark Helmueller.
6. In consideration of Docket No. 0238621, the application of Premier Minerals, Inc., for an exception to Statewide Rule 37 to drill Well No. 1, on the Salinas Lease, Cologne (4800) and Wildcat Fields, Victoria County, Texas, the Commission denied the Rule 37 exception for the Cologne (4800) Field, but granted the exception permit for the Wildcat Field, for a limited interval. This action was recommended by Examiner Mark Helmueller.
7. The Commission deferred consideration of Docket No. 09-0238914, the application of Gerald's Water Service for commercial land farm permit, Wise County Facility Lease, Wise County, Texas.

8. In consideration of Docket No. 0236671, the application of Camden Resources, Inc. for an exception to Statewide Rule 37 for the Casas Lease, Well No. 1, Rosita, E. (Wilcox Cons.) (78336700) Field, Duval County, Texas, the Commission denied the motions for rehearing filed by SWEPI, L.P. and KLT Gas, Inc. and the request for oral argument. Denial was recommended by Examiner James Doherty.
 9. In consideration of Docket No. 04-0239461, the application of Brigham Oil & Gas L.P. to consolidate the Home Run (Lower Vicksburg), Home Run (Lower Vicksburg 7), and Hall-Shelly (No. 2 Sand) Fields into a new field and adopt rules for the (Proposed) Home Run (Vicksburg Cons.) Field, Brooks County, Texas, Examiner Mark Helmueller recommended the Commission deny the motion for rehearing filed by Juanita and Jesus Mosqueda; Lionel Garcia and Edna Guerra. The Commission heard comments from Mr. Jesus Mosqueda on behalf of all the protestants. On motion of Commissioner Matthews, with a second by Commissioner Williams, the Commission voted to deny the motion for rehearing.
- B. The Commission took action on applications appearing on the Oil and Gas Unprotested Consent Agenda, Agreed Enforcement Orders, and Master Default Orders. Regarding the Consent Agenda Items 27 and 28, Commissioner Matthews stated for the record his vote to deny the applications of Encana Oil and Gas (USA) for exceptions to Rule 32, Docket Nos. 09-0240788 and 09-0240789. These dockets were approved on the Oil and Gas Unprotested Master Order.
- C. Rules Notebook: Deputy General Counsel Polly McDonald
1. The Commission considered proposed adoption of the Gas Reliability Infrastructure Program (GRIP) Rule, amendment of 16 Tex. Admin. Code §7.115, relating to Definitions, and new 16 Tex. Admin. Code §7.7101, relating to Interim Rate Adjustments in new Subchapter H, entitled “Interim Rate Adjustments,” to implement Texas Utilities Code, §104.301, Interim Rate Adjustment for Changes in Investment, enacted by Senate Bill 1271, 78th Legislature (2003), Regular Session. The Commission approved certain revisions and clarifying language to the rule but deferred further consideration and vote until later in the day.
- IV. The Commission began consideration of matters authorized by law including the administration, budget, procedures and personnel of the following divisions as presented by the division director or other authorized personnel.
- A. Administration: Acting Director Kelly Stuckey

1. The Commission approved initiating a rulemaking to amend 16 Tex. Admin. Code §20.401, relating to agency vehicles in order to make changes that will more clearly define the Commission's policy regarding employee bidding and/or purchasing of agency surplus vehicles in accordance with the new "sales" process used by the Texas Building and Procurement Commission.

B. Oil and Gas: Director Rich Varela

1. The Commission received a presentation regarding proposed changes to the State Funded Plugging Prioritization Methodology. The Commission approved the new procedures with one change proposed by Commissioner Matthews.
2. The Commission granted authority to award and revise the contract value on extended services contract, Req. #455-5-0510, which includes seven (7) wells in Burleson County, Texas. The original estimated value was \$99,400 and the after bids were opened and evaluated, the contract value was revised to \$144,604.50.
3. The Commission granted authority to award and revise the contract value on extended services contract, Req. #455-5-0530, which includes three (3) wells in Leon County, Texas. The original estimated value was \$87,000 and the after the bids were opened and evaluated, the contract value was revised to \$111,566.
4. The Commission authorized Oil and Gas Site Remediation to formally apply for, negotiate, and accept, if awarded, a grant from the Texas Commission on Environmental Quality (TCEQ) to conduct assessment and remediation activities at Petronilla Creek Area above Gauging Station 13096.
5. The Commission authorized RRC staff to formally apply for, negotiate, and accept, if awarded, two grants from the TCEQ to plug approximately 200 orphaned wells in two areas of the state. These areas are the Clear Creek area in Railroad Commission District 3, for Harris, Fort Bend, Galveston and Brazoria Counties, Texas and the Choke Canyon area in Railroad Commission Districts 1 and 2, McMullen and Live Oak Counties.
6. The Commission approved initiation of rulemaking to amend Statewide Rules 95 and 97 to establish new requirements pertaining to standards for installation, testing, and maintenance of surface brine piping; type and location of emergency shutdown valves and other vital wellhead equipment; fire suppression capabilities; and data acquisition and record retention.

- C. Intergovernmental and Public Relations: Director Stacy Fowler
 - 1. The Commission considered and voted to approve various bill drafts for internal legislative proposals.
- D. Rules Notebook: Deputy General Counsel Polly McDonald
 - 1. The Commission continued consideration of the Gas Reliability Infrastructure Program (GRIP) rulemaking. The Commission voted to adopt the GRIP rule as amended. Further the Commission agreed to the provision that the director's recommendation would come to the Commissioners for final decision and that the provision that authorizes a hearing upon request of the utility be eliminated.
- E. On motion of Commissioner Williams, the Commission directed staff to include on the agenda for the next conference the issue regarding public testimony at conference.
- V. With no further business to come before the Commission at this time, the conference was adjourned at 12:45 p.m.